

**RICHARD
RUSSELL'S**

DOW THEORY LETTERS

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LETTER 915

May 31 DJIA 1315.41; PTI 1810; A-D Ratio -14.79
June 7 DJIA 1316.42; PTI 1826; A-D Ratio -14.38

THE MARKET: "Don't fix it unless it's broken." So runs the old adage. How would one apply this to the market? The best way might be as follows: "Stay with the trend until the cracks appear."

I have been wondering (as have many of my subscribers) what the relentless rise in my Primary Trend Index (PTI) was implying. Ever since March (see page 2 chart) the PTI has been surging upward, literally ignoring what the Dow and the rest of the market were doing. Now the meaning of the PTI surge is clear. The PTI was telling us that the technical situation was building up to an explosion. Last week the explosion finally occurred. Last week we saw new record highs in the D-J Industrials, Transports, the D-J 65 Stock Average, the S&P 400 Industrials, Transports and Utilities as well as in the S&P 500. New record highs also showed in the NYSE Composite, Industrials, Finance, Transports and Utilities. Not bad?

The rising market was aimed basically at the higher quality stocks. Laggards were the NASDAQ Index, the AMEX Index and the broad Value Line Composite.

Personally, I love this action. And the reason is very personal. I handle my kids' (five of 'em) accounts, and they've all been 100% in stocks. As for me, I put all my own money in bonds. Either way, I can't complain. The bond market and the stock market have been hot items. The only things hotter are the restaurants on New York's Columbus Avenue.

Last week I sat back and attempted to assemble a broad view of the current economic scene. This is the way I see it. Unlike the stock market, which appears to be on the edge of euphoria, I see problems ahead. But as I said at the opening (about the market), "Don't fix it unless it's broken." So from an investment standpoint, I've just been sitting with securities and watching this market develop its head of steam.

Consider the following: Looking back over the last decade, we've seen real estate rocket out of sight, and we've seen farm land sail into the wild blue yonder. Both of those bull markets now appear basically over, kaput. We saw the wild commodity boom which topped in 1980 at 338 on the CRB Futures Index. We saw gold roar to 850 in 1980. We've also seen both gold and commodities collapse. My guess is that both of those bull markets are now finished. The fun is over for this cycle.

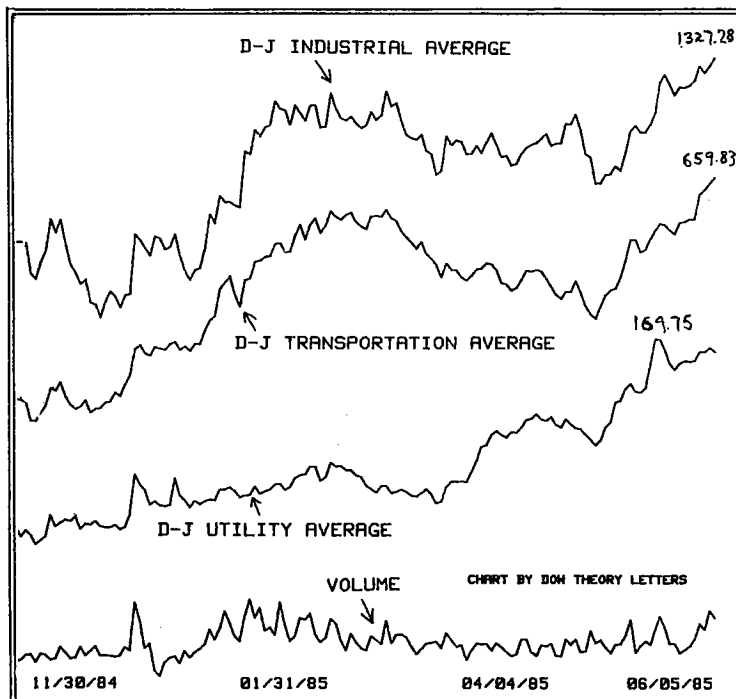
And, oh yes, we saw all kinds of collectibles rush towards the heavens during the late-1970s and early 1980s. The collectible bull market would also appear to be over, although better quality art is still posting new record highs at major auctions.

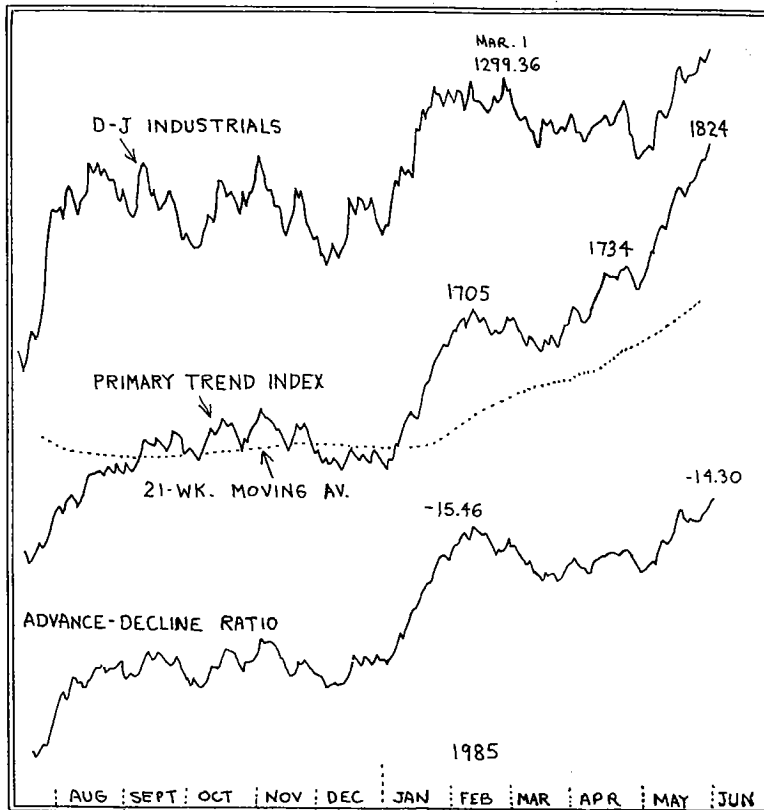
So what's left besides the boom in gourmet restaurants (even the fast food segments of the restaurant business seem to be topping out)? There are two areas left. One is bonds and the other is stocks. Yep, stocks and bonds are now the only games in town. And Wall Street is giving them its full attention.

Mind you, dear subscribers, I'm not trying to be a wise guy or a cynic. I never knock a bull market, no matter whether it's in stamps or stocks. All I'm trying to do is put this whole picture into perspective. The way I see it, we (you and I) could now be witnessing the wind-up of the greatest bull market of all times. I don't care if you place the exact beginning of this bull market in 1932, 1949, 1974, or even 1982. At this point, almost everything has had its wild fling, and I've reviewed a few of those items. As I said, what we have left is stocks and bonds. Stocks and bonds comprise the bull market of the mid-1980s.

What of the other items? What of the collectibles and precious metals and the "strategic metals" and the stamps and coins and commercial real estate and commodities? My own opinion is that these items have basically "had it". Sure, gold may pop to 350 again or silver commemorative coins may crackle a bit on the upside. But in the main, I think we've seen the highs and the excitement in those markets. Those bulls are dead.

Let's turn to "where it's happening," and I'm talking about stocks and bonds. These are the huge markets





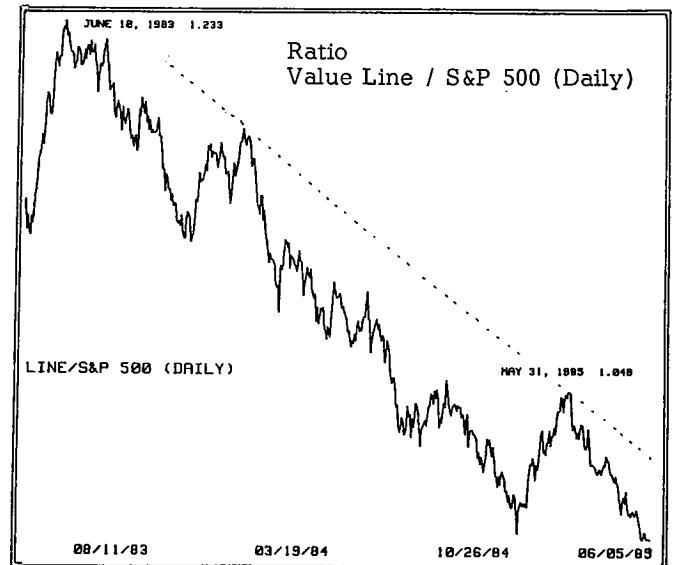
(aside from real estate), the monster markets. And what's more, they are the truly liquid markets. So it's very easy to get into them -- and out!

As I stated at the opening, there doesn't appear to be a cloud on the horizon for stocks and bonds. They are just moving up, up and up. As stocks and bonds rise their detractors, the bears, fall silent. They have to. How are you going to bad-mouth a market that's tacking on new points every day? How are you going to bad-mouth a bond market that's recording five-year highs? How can you denigrate a stock market when all the major quality averages are hitting new record highs?

There is really only one way to introduce any yellow caution flags into today's market and that is to invoke the old adage, "no tree grows to the sky." In other words, "How high is high?" "How hot is hot?" And, honestly, no one knows.

Bull markets, big bull markets, tend to surprise even the optimists on the upside. I think the bond market has already fooled many of the optimists. The other day I heard famous economist Pierre Rinfret (on FNN, Financial News Network) state that the T-bills were going down to 5% yields. Now even I would be surprised to see that (and remember, I'm heavily into bonds). But keep it up, Pierre, you're making me cautious. It scares me when, after a one-year rise, an economist talks about more "up, up and away".

All right, let's get down to the current stock market picture. Last week we had all sorts of upside confirmations and re-confirmations of the primary bull market. So let's not fix this thing until it starts to bust -- or at least until the cracks start to appear. Are there any cracks now? There are a few, but they need interpretation.



The first is that the lower-quality Value Line Composite is lagging the better quality S&P 500. Market history suggests that the Value Line must catch up, or there will be trouble. I'm including a chart of this Value Line/S&P ratio going back to 1983 (drawn on my new Hewlett Packard computer, by the way). This process (secondary stocks lagging) has been going on ever since June 1983, so it's nothing new. But as I say, market history tells us that Value Line must catch up or there will be trouble. Nothing pressing to worry about here -- but it's a picture worth watching carefully.

The other thing I'm watching is the short-term trading index (TRIN or MKDS on the brokerage house machines). I keep a 21-day total of the TRIN, and history indicates that when the 21-day total goes to 2,400 or more, the market is very over-sold. When the 21-day total drops to 1850 or less, the market is very over-bought. The 21-day total was 1750 last week. Conclusion: the market is now very over-bought. Technically, this market is now "churning on the upside." But in powerful bull markets, this process can go on for quite a while. In fact, it has been going on for the past few weeks. In almost all cases that I've seen in the past 10 years, a 21-day total of below 1850 on TRIN has halted the market's upside progress. So let's watch it.

What are some of the good things about this market? First, of course, I like the fact that almost all the averages I watch have confirmed on the upside. To say that this isn't a bull market is absurd. It may not be a bull market by next month, but it sure is a bull market now.

Not the least of the new highs has been the one in the little-watched NYSE Financial Average. This average contains ALL the NYSE bank stocks, S&Ls, small loan companies and brokerage house stocks. So I consider the new highs in the Financial Average of real importance, particularly in view of the recent troubles in the S&Ls and banks.

I also like the action of my PTI. The PTI (page 2 chart) has led the way up during all the March-April confusion, at a time when the Dow and the A-D Ratio were actually declining. The tug-of-war couldn't have been more intense. Finally, the PTI won, and the market boomed. The build-up of technical positives, as

measured by the PTI, ultimately blew the stock market out -- to the upside. And as you can see on the chart, the A-D ratio followed.

What else do I like? Obviously, I like the bond market action. The bond market has really lit the fire under this stock market. As bonds rose, yields declined, and consequently this rather low-yielding stock market looked more like a "value". So even though the Dow is no great bargain at 4.6% yield, it has been helped by declining bond yields. But any forthcoming top on the bond market (by the same token) would mean heavy pressure on the stock market. So we have to watch the bonds closely, very closely.

Finally, I like the fact that the inflation barometers are "dead in the water". Gold acts like it's going out of style, silver has been a nothing, and the commodities in general have been in a big bear market ever since 1980. I guess you could call that the force of disinflation. But so far, the market likes it.

You know, I hate to say it, but the present picture doesn't look too unlike 1928 and 1929. The leveling off of the real estate boom (that occurred in 1926), the collapse of farm prices (1923), the lagging A-D Ratio (all during 1928-29), and the sluggish business (also during 1928 and '29). And finally, the explosion in stocks even though the background was dis-inflationary.

So far, I've talked mostly about the markets themselves. How about a bit of fundamental background? OK, here are some of the things I see, and I'll be very brief about it.

Dr. Henry Kaufman, the sage of Salomon Bros., has recently predicted that business will turn up in the second half of 1985. Thus he sees GNP growth of about 4% and rising interest rates later in the year. That's the optimistic view.

David and S. Jay Levy ("Industry Forecasts") have been very accurate on the economy over the years. In their latest report they say, "Industrial production's small decline in April signaled the resumption of a downward trend that will become steep. Retail sales, despite occasional gains such as occurred last month, will be increasingly disappointing. The downward trend of corporate profits will accelerate in the second half." That's the pessimistic view.

The Fed itself is obviously worried about the business picture, and that's precisely why they lowered the discount rate a full half point to 7.5% a few weeks ago. The current "weak" economy worries the Fed for two reasons: (a) it could set off additional bank or savings & loan problems, and the last thing the Fed wants is TV news films showing hoards of depositors standing in front of another insolvent savings institution.

(b) The Fed knows that weak business conditions would be certain to worsen the federal budget deficit. The first quarter GNP was recently revised downward to a 0.7% growth. Yet the Treasury's budget projections were all based on a GNP which would be growing at a 4% rate. Thus, the US seems already to have entered the "growth recession" predicted by Fed Vice Chairman Preston Martin.

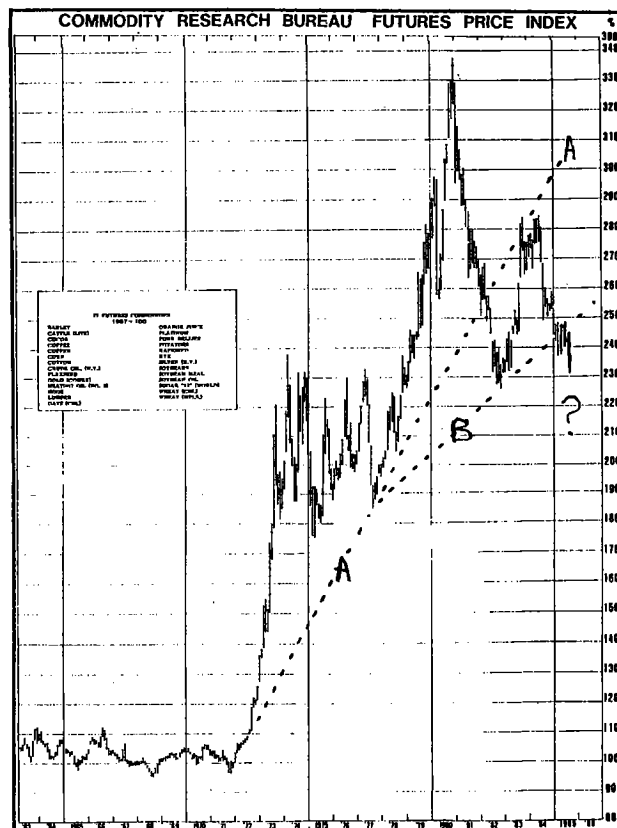
The trend of interest rates, by almost universal consensus, will be down during the rest of 1985. Many

leading analysts state that we have seen an historic top in interest rates (1982) and that the MAJOR trend of rates is now down. In fact, I don't remember seeing another such consensus opinion about any item in the markets. Suddenly, everyone loves bonds.

I don't know if you could call me a professional skeptic, but I do tend to be very careful. And like all careful investors, I usually have a list of items that bother me. Here they are:

(1) The foreign debt crisis, now almost forgotten, is worsening. Argentina's second largest bank failed last week. Argentina's economy is on the edge of crisis. The whole Latin American picture has darkened due to their slumping trade surplus. During first quarter 1985, the Latin American trade surplus dropped 35%, due to the sluggish US economy (the US is where they export).

(2) Maybe what bothers me most is this chart of the widely-followed Commodity Research Bureau's Futures Price Index. On the slide down to the 1982 low of 226, major Trendline "A" was broken. Then came the rally to the 1984 high. From the 1984 peak the CRB Index headed down again. During the early months of 1985 secondary trendline "B" was decisively violated. Only one support area now remains, the 226 low of 1982. The CRB Index is currently within 7 points of the 1982 low. If the 1982 low is broken, I am afraid such action would be a prediction of actual deflation.



Disinflation or deflation is all right (even healthy) in an economy with little or no debt. But in a debt-choked economy such as ours, deflation could set off a liquidity crisis. You can support a lot of debt with continuing inflation. But during deflation, large debts tend to become unmanageable. I can't imagine how the current total \$7.1 trillion in US debt could be supported during a deflationary period.

(3) Normally, deficits stimulate the economy. With deficits running near \$200 billion, why is the GNP running at a rate of less than 1% at present? Many say that it is because of last year's slow money growth (money growth is usually reflected in the economy six months to a year later, sometimes longer). We'll see, but my thought is that federal deficits may now be more, far more, of a danger than a help.

INVESTMENT POSITION: How much longer the PTI can keep climbing I don't know, but right now the PTI is in all-time high territory. And so are most of the major averages, so like it or not, this is a bull market.



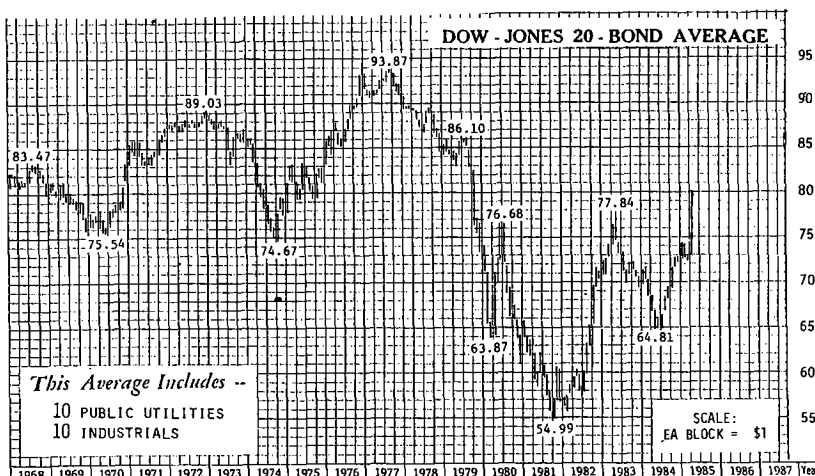
The funds have now returned to picking stocks on the basis of values, the classic Ben Graham way. But to tell the truth, I feel great values are hard to find in today's market. Many stocks that I have recommended such as Gen. Foods, JP Morgan, National Biscuit, that were yielding 6 and 7% are now yielding under 4%. My instinct is therefore to sit tight.

I feel the same way about bonds. If you don't own 'em by now, pass. The odds are that the next bond correction, when it comes, will take them below today's prices.

As for gold, read the page 6 section. Gold may, it just may, be waiting to come to life.

BONDS, RATES: First let me start by revealing that I have had ALL my personal money in bonds during 1985, all of it. And I still do. Therefore, I am not prejudiced against bonds.

But let's try to be cold and analytical. To my mind, the best argument the bond bulls have is on the price-action charts. I include this chart (courtesy of M.C. Horsey) showing the monthly path of the D-J 20Bond Average going back to 1968. The May action has taken the 20-Bonds above both the 1980 and 1983 tops -- and that's pretty impressive. Technically, based on price-action, the bonds haven't looked this good since 1976 when a major explosion took the 20-Bond Average above its 1973 high. The 20-Bonds then rose another 4 points to their 1977 high. This preceded the vicious bear market collapse of 1977-1981, a drop that wiped out 41.4% of bond values.



It should be remembered that the bond rally is now almost 1-year-old, the longest bond rally in a decade. Furthermore, I am getting signals of a decline in the momentum (rate-of-change) in the short-term money market, and this could be the first hint of an impending top in the money market instruments. So I feel it's caution time for bond buyers.

Two phenomena could occur now which would deeply affect bonds. The first is that the economy could expand during the period ahead. This (the Kaufman scenario) would boost corporate bank borrowing, and tend to push interest rates up again.

On the other hand, we could now be moving into stagnation or recession, in which case we face the great unknown. A recession here could conceivably set off a liquidity crisis, at which time there would be a sudden demand for money in order to increase liquidity and pay debts. Furthermore, Treasury needs would continue and could even increase as tax receipts declined. Either of these situations could at least temporarily push up interest rates.

Meanwhile, the current rate (year-to-year comparison) of federal spending is about 12%, meaning that spending this year is roughly 12% over last year. Interest costs continue to plague the budget and the compounding of the debt goes on.

The page 3 commodity chart hints of the possibility of deflation looming ahead. But don't jump to conclusions, at least not until you read the page 6 section on gold. The real truth of the matter is that there isn't a maven ("expert") on Wall Street who knows the answer to the inflation-or-deflation question. And the markets are holding their answer in abeyance. Therefore, like humble servants, we'll watch the markets for the answers.

TAX BILL: As 1985 came into view, President Reagan had four big items to contend with: (1) Nicaragua, (2) Deficit reduction, (3) the MX, (4) the new tax bill. Only one of these was "positive", and that was No. 4. And this is where Reagan is concentrating his firepower -- perhaps to the detriment of the other three.

In my mind deficit reduction is by far the most important of the four issues, but that is not where Reagan is heading. On the tax bill, here are my observations: (1) The tax plan would be most advantageous to the poor and the rich. The middle class would benefit least or be hurt most. It is estimated that the new plan would actually raise taxes for many in the \$20,000 to \$60,000 range. And a problem: many economists estimate that the new tax bill could cause a revenue shortfall to the Treasury of \$20 billion or more. The thought is that no tax bill ever invented could be revenue-neutral, since the bill would have to be put into operation before anyone saw what was garnered in new taxes.

(2) The new tax plan proposes to be tilted towards "growth and fairness". It certainly is no major step towards simplicity (the tax law requires a book of 460 pages to explain!). The fact is that I have not met anyone (accountant, lawyers, or otherwise) who fully understands the new bill. A "USA Today" poll shows only 13% of the public claiming to understand the bill. My guess is that the public will have great difficulty seeing how the bill will improve their lives. The lack of

simplicity may well doom the bill. At any rate a leading proponent of tax reform, Richard Gephardt (D-Missouri), states, "It is conceivable and probable" that Congress can approve a tax reform bill this year, but he predicted the process would result in "the biggest political brawl Washington and the country have ever seen."

(3) The plan has been introduced late in the game. It should have appeared early this year or preferably last year. Every feature of the new plan will be debated in Congress. Lobbies and pressure groups will fight each feature. If the Congress can agree at all on a final unified plan, such a plan will probably appear in the fall. If the plan cannot make the fall, it will probably be jettisoned, since 1986 is a Congressional election year.

(4) The tax plan has appeared at the same time that Congress is arguing over budget reduction. Thus the tax plan will interfere with the more important job of reducing the deficit. In the worse case, Congress would botch their budget reduction efforts, and the tax plan would not make it.

(5) The biggest objection to the new tax plan is already coming from those who object to not being able to deduct their state taxes from Fed taxes. This fight will be led by highly influential Congressmen and Senators from NY and California, two high-tax states. The highly visible entertainment industry (restaurant, sports, hotels, etc.) is also screaming about the new limits on business expense deductions.

(6) I give the tax bill no chance to pass in its present state, and about a 50/50 chance of passing at all.

(7) One investment tip. Buy muni bonds from your own state only. Muni income is exempt from Fed taxes but out-of-state muni income is taxable in your state. If the new bill passes, you will pay state taxes on your muni income, but you will not be able to write those taxes off against your federal taxes.

Late tax note: Tip O'Neill, testifying before the House Ways & Means Committee, suggested (June 6) that the House panel may want a new level above 35% for wealthy citizens. And so it goes. What I'm afraid of is that they'll lower the tax rates to a ceiling of 35%, take away all our deductions, and then when things get rough, they'll up the 35%. Frankly, I'm beginning to like the current tax situation more and tax reform less!

NOTES & QUOTES: James Reston headed the NY Times' Washington Bureau for years. Few men understand Washington the way Reston does. His column in the May 29 NYT was a beaut. Here in three paragraphs from the column you can obtain a very clear view of what the boys in Congress are thinking:

So the Congress is beginning to take a new look at him, particularly the new leaders of the Republican-controlled Senate, led by Bob Dole of Kansas. In last year's election, Mr. Reagan was their buddy. This year, they have a problem, and they're beginning to think President Reagan is part of it.

Twenty-two Republican Senators are up for re-election in 1986, most of them in dicey races. They are not sure they can win by supporting Mr. Reagan's budget, or his public attacks on the Democrats, the Rus-

sians, the farmers and the cutbacks in the old folks' Social Security benefits.

For the time being, the Republicans are riding high, against a leaderless Democratic Party, but they have a problem: If President Reagan in the next year cannot come to terms with the Democrats over tax reform and make some progress with the Soviet Union on the control of nuclear weapons, chances are that the Democrats will control both the House and the Senate in the last two years of Mr. Reagan's second term.

* *

The Washington Post Weekly did an interview with Jacob Beser, the only man who was on both atomic bomb missions over Japan. The crazy, hit-and-miss story of why the bomb was dropped over Nagasaki is told in this unbelievable section of the interview. I thought subscribers should read it, so here it is:

A: Well, it missed. I mean, people tell us how hot we were, we dropped 'em in practice better than that. But it's academic how many you kill whether you missed by 500 feet or not. But the second one, there is a story around that we had 600 gallons of gas in the bomb bay that couldn't be touched because the pump [for the auxiliary tank] malfunctioned. Our primary target based on weather reconnaissance was Kokura. We got over Kokura and it was all smoked and hazed in. They had bombed [the city of] Yawata two nights before and it was still burning. Kokura was downwind of that. So we tool around there for an hour, burn 900 gallons of gas, and now we don't have enough to get back because we can't touch this [tank]. We hadn't dropped the weapon yet and the Japanese were getting curious and coming up to take a look at us. A decision was made to get the hell out of here.

We were going to go to Nagasaki and I told Ashworth if he wanted I could ride a scope in the back there and bring him right dead over the center of Nagasaki. If he would tell me what part of town he wanted hit, I could do it. I saw no reason to abort the mission, dump it in the ocean. What the hell, that's ridiculous. So we decided to go on down to Nagasaki.

The rest of the world was keeping the Japanese pretty busy that morning. There were B24s from Okinawa bombing and there were P47s beating up the railroads and there was naval aircraft all over the place. It was a flying circus. We get down close to Nagasaki and it's still socked in just like the reconnaissance aircraft told us it was. So we started a radar run. The last 10 or 15 seconds of the run a hole opened up in the clouds and Behan [the bombardier] said, "I got it, I got it, I got it," and he dropped visually. The only trouble was he had a hole about one-millionth the size he really needed to tell what he was bombing. He had something in the crosshairs of his sight that he thought was his briefed aiming point. It was three miles to the northwest. Right smack in the middle of this industrial valley was the Mitsubishi plant and the heavy industry. Nagasaki was to be the convincer, the antipersonnel type bombing, and we were going to bomb the residential areas of the city. Well we didn't. We bombed the other end so the casualty rate wasn't nearly as high.

Footnote: Much has been said about the morality of the atomic bombing of Japan. Early in 1945, the armed services were preparing to send 3 million Americans against the island of Japan. The slaughter that would have occurred on a US invasion of Japan can only be imagined (remember the horrendous death toll at little Iwo Jima?). In Aug. 1945, I was back from combat in Europe, having been a bombardier on B-25s. The Air Force gave me a 30-day leave, and I was then to report as bombardier-navigator on the new attack A-26 bombers. I was to check out on A-26s and then leave with my squadron to fight in the Pacific.

In the middle of my leave, the atomic bombs exploded over Japan and almost immediately Japan surrendered. Personally, I felt that having been lucky enough to live through combat in Europe, my chances of also surviving combat in the Pacific were not good, not good at all. So this writer blessed Japan's surrender, and if the atom bomb forced the surrender -- so be it. My crewmates shared my feelings. We were all in shock with one thought in mind. "We lived through the war, Germany and Japan were defeated -- and we're alive!"

* *

Growth: What's the fastest rising age group in the nation? Are you ready? It's the over 85s. There are 2.5 million over 85s in the US today, but the Census Bureau says that by 2050 there will be 16 million, 5%

of the total population. The longevity for the average US man is now 71, for a woman, 79. But scientists estimate that the full life span for a person is about 115. That means that 115 is the ultimate (if everything goes right) that a totally healthy person should achieve.

* *

Estimated Deaths

- 3.7 million—flood of Yellow River in China, 1931.
- 655,000—earthquake in Tangshan, China, 1976.
- 500,000—cyclone, tidal wave in Bangladesh, 1970.
- 200,000—floods in China, 1939.
- 180,000—earthquake, landslides in Gansu, China, 1920.
- 160,000—earthquake in Messina, Sicily, 1908.
- 143,000—earthquake, fire in Tokyo-Yokohama, Japan, 1923.
- 100,000—floods in North Vietnam, 1971.
- 100,000—earthquake in Gansu, China, 1927.
- 100,000—flood in Canton, China, 1915.
- 70,000—earthquake in Gansu, China, 1932.
- 66,794—earthquake in Yungay, Peru, 1970.
- 57,000—flood of Yangtze River in China, 1949.
- 56,000—earthquake in Quetta, India, 1935.
- 50,000—tidal wave in Italy, 1908.

Bangladesh now mourns the deaths of over 3,000 people. But it will take months to get the final tally on how many died in the great tidal wave. But there have been worse disasters. Above is a list of the worst 20th century natural disasters and the unbelievable number of people killed in each.

As far as disease is concerned, the great influenza epidemic during World War I killed 20 million worldwide, more than died during the war. All told, 550,000 Americans died in the epidemic and at its height 4,500 New Yorkers were dying every week!

GOLD: Forget all the talk about inflation or deflation. Forget all the rumors, the gossip, the predictions. Let's turn to the market now, the price action and the bloodless verdict of Wall Street.

What I'm showing here is a chart of gold (daily from 1983 to date). Superimposed on the gold price is a

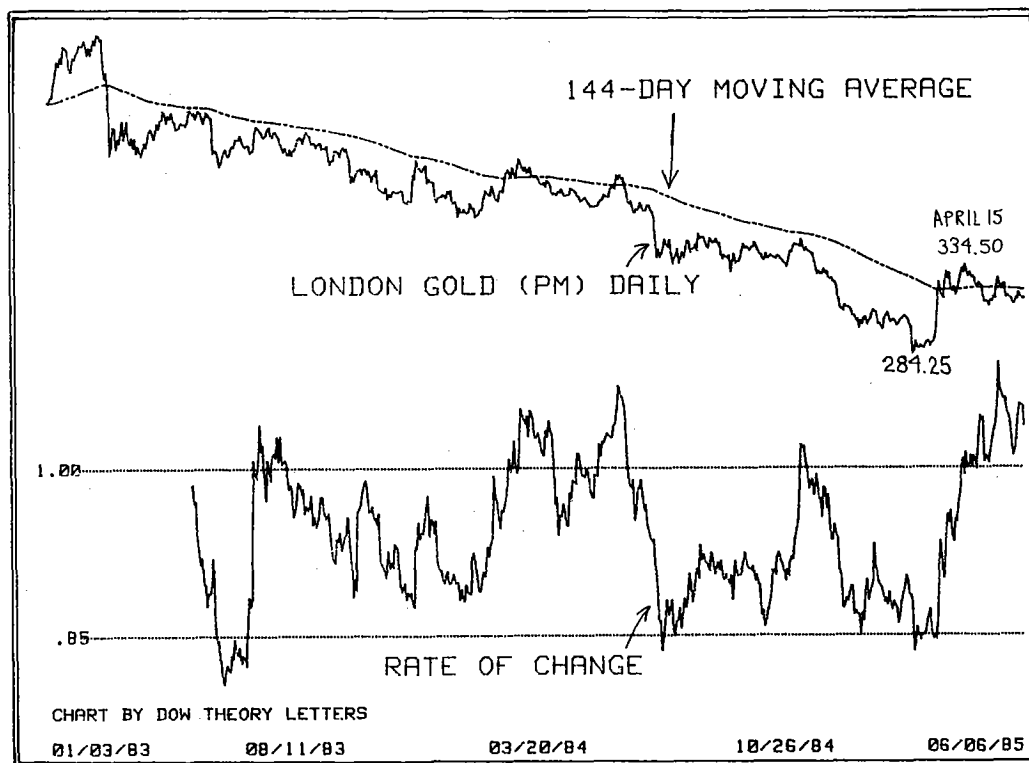
144-day (exponential) moving average. Note that for the first time in almost three years the gold price is tending to cling to the moving average. Also, note that the moving average is tending to flatten out. This is important.

Below the gold price is an 89-day rate-of-change for gold (i.e., the current price divided by its price of 89 days ago). Any time gold is above its price of 89 days ago, the rate-of-change (ROC) line will be above 1.0. Note that there have been four previous breakouts in ROC since January 1983. Each of those four occurred with the 144-day moving average declining. Each of those four ROC breakouts failed, and subsequently gold declined.

Now we have a fifth breakout above 1.0 on ROC, and this time the 144-day moving average is flat. This is at least a hopeful sign for gold (and an unpleasant hint for those who fear reinflation). The April 15 peak for gold came at 334.50. This is a very important point. If gold can in coming weeks move above 334.50 (in view of the current action of the 144-day moving average and the current position of ROC) I would say that such action would be the most bullish signal gold had given in years.

I'm not going to go into all kinds of fundamentals about why gold could go up, why monetization of the debt is "in the bag", what it would mean if Volcker quit, etc. I'm just going to say, "Watch 334.50." If gold breaks above that point, it's a bull signal for gold. It's a dramatic signal that the dollar is weakening and that inflation is starting to come to life. A confirmation of a gold signal (it could even come before a bullish gold signal) would be a major top-out in bonds.

What would I do if the gold signal comes? I'd probably buy Homestake, ASA and a gold contract (futures) or so. But don't get hysterical yet, gold-fans (and I know that I have a huge number of subscribers who are goldphiles), WAIT until the bull signal occurs. Obviously, if gold rallies above 334.50 we'll know it, but from here on I'll monitor the gold picture with particular care.



LATE NOTES: On June 6th's action (Friday) I received a "caution signal" for rate-sensitive instruments via my technical work on T-bills. The momentum on the bills has turned down, and on Friday the bills made contact with their 13-day moving average. One more day of weakness in the money instruments, and I would say that interest rates were in the process of reversing (to the upside). Bolstering this view (on a contrary basis) is the fact that almost every "expert" in the nation is predicting "lower rates for the remainder of 1985". Rising rates, of course, would put pressure on an already very extended stock market.

NEXT MAILING: June 26